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**EXCISE**

DEPARTMENT OF STATE  
THE DIRECTOR OF INTELLIGENCE AND RESEARCH

MEMORANDUM

TO : G - Mr. Johnson

FROM : INR - Thomas L. Hughes: 11 1 11 11

SUBJECT: A Cuban Balance Sheet: Batista and Castro

At your request, we have compared the Batista and Castro regimes in terms of their abilities to respond effectively to the needs and desires of various parts of the Cuban population. We have also weighed the performance of the Castro regime against the promises of Fidel Castro before and shortly after he assumed power.

Believing that this exercise will be useful to the extent that it accurately reflects beliefs and attitudes of Cuban groups, we have tried to look at the Cuban experience of recent years as representative Cubans might look at it.

Between 1953 and 1960 the public pronouncements of Fidel Castro and his lieutenants in the 26th of July Movement contained not only graphic descriptions of Cuba's chronic problems but also proposals--promises--for action to deal with those problems. The broad popular support that Castro received during the months immediately following Batista's capitulation is some evidence that Castro's assessment of Cuban realities and requirements was widely shared. Among the problems noted were these, divided among the standard rubrics--political, economic, and social:

A. Political

1. Systematic violation of the Constitution of 1940
  - a. Flagrant abuse of the executive power
  - b. Emasculation of the judicial and legislative bodies
  - c. Rampant corruption in government
  - d. Suppression of civil liberties

GROUP 3  
Downgraded at 12 year intervals;  
not automatically declassified

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REVIEWED BY WLB/02 DATE 9-16-84

FOR JOR ADJ EXPT. DATE

TS AUTH. REASON(S)

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- e. Perversion of the electoral process
- 2. Ideological sterility
  - a. Erosion of bases of national pride and self-respect
  - b. Absence of forward thrust, of Cuban 'mission'

B. Economic

- 1. Domestic
  - a. Unemployment and underemployment
  - b. A stagnant economy
  - c. A poorly diversified economy
  - d. A badly skewed income distribution pattern
    - i. Between urban and rural sectors
    - ii. Between social classes
  - e. A maldistribution of agricultural land
- 2. International
  - a. Inordinate dependence upon US for the production, processing, and marketing of sugar
  - b. Inordinate dependence upon US for imports of finished goods

C. Social

- 1. Depressed status of Cuban agricultural workers ("guajiros")
- 2. Depressed status of Cuban Negroes
- 3. Substandard housing
  - a. In rural areas
  - b. In cities

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4. Lack of adequate educational facilities

5. Lack of adequate welfare services

None of the problems noted by 26th of July Movement spokesmen originated with Batista, and none of them was solved by his regime. With respect to some of them, for example, economic diversification and the construction of school buildings, he scored modest advances; with respect to others--for example, those in the political sphere--his 1952-1958 regime performed less well than some earlier ones had done. By and large, though, Batista during his second term in office made no serious effort to confront Cuba's problems on other than an ad hoc and expedient basis, being content to amass a personal fortune, to surround himself with a coterie of unscrupulous opportunists, and to rest his rule upon arbitrary terror and unchallengeable control of the Cuban military.

Fidel Castro's successful campaign to bring down Fulgencio Batista is to be explained in part by widespread popular revulsion against the excesses, cynicism, and corruption of the Batista regime. It can also be explained by a popular rallying to the program of reform announced by Castro and his spokesmen.

In that which pertains to political matters, for instance, Castro promised the establishment of effective constitutional democracy, under the aegis of the Constitution of 1940 --as the true supreme law of the State." Civil liberties were to be resolutely respected: "...Absolute respect for human rights, absolute respect for the human being. Regardless of how revolutionary the laws we propose to enact may be, they will be enacted without violating one single right, without suppressing even one public liberty, without beating anyone, and without even insulting anyone."

To deal with Cuba's economic problems, Castro promised a thorough land reform ("...the untransferable ownership of the land to the cane planters, lessees, renters, sharecroppers, and those who use the land on loan, who occupy parcels of 167 acres or less); economic diversification; an end to unemployment; a diminution of Cuban dependence upon sugar and the United States.

Castro's promises in the social realm concerned the attainment of full equality by Negroes and women ("everyone knows the tragedy confronting the woman and the Negro. We find that they are two sectors discriminated against"); the provision of public services to the rural workers; and the opening up of career

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opportunities to those in reduced economic and social stations.\*

Finally, Castro was himself the embodiment of an implicit promise that attracted to him immense popular support; under his leadership, Cuba and the Cubans were to assert their independence, were to regain their self-respect, were to march upon the world scene and to play there an important, forward-looking, imaginative role. Castro promised a vigorous, progressive, and positive Cuban nationalism.

Group Attitudes Toward the two Regimes

Evidently Castro's promises in the political and economic spheres--at least as specifically formulated by him--are far from having been realized during the first four years of his rule. Indeed, a number of them have been systematically ignored or betrayed. Castro originally stated that a concerted effort would be made to reduce Cuba's dependence on sugar through a program of agricultural diversification and industrialization. Now, particularly since Castro's return from the USSR, it appears that Cuba has been assigned a role in the Soviet bloc "division of labor" as a supplier of raw materials, specifically of sugar, and that sugar is, if anything, a more basic element in Cuba's economy than it was before Castro. Little is heard in Cuba now of the grandiose industrial projects that were to be built with Soviet assistance.

On the other hand, his accomplishments in the social sphere have been considerable and have been, for the most part, consonant with his early announced program. Negroes have achieved greatly enhanced status, large-scale literacy and educational programs have been mounted, and prospects for upward mobility have greatly improved for many Cubans. Moreover, the full implications of the communist system are almost certainly not understood by the Cuban working population, which has not yet been subjected to the degree of harsh discipline characteristic of communist countries. Castro's toleration of a high level of economic deterioration and Soviet willingness to provide massive economic and military aid have delayed full implementation of the communist system. In an assessment of the strengths and vulnerabilities of a regime, it may be more important to take into account what those living under that regime think about it than what an objective Olympian evaluation of the regime reveals. And what the people think will

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\* The Cuban population is composed of whites (about 37%), Negroes (about 12%), mixed bloods (50%), and Chinese (less than one percent).

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be conditioned not only by the performance of the regime under which they presently live but also by the alternatives to that regime with which they are familiar or which they can anticipate.

Little good purpose is served by speculating about what the abstraction, "the Cuban people", and what they think of the regime. Therefore we have tried in this concluding section to indicate something of the attitudes of a number of Cuban groups toward the Batista and Castro regimes.

The guajirosA. Attitude toward Batista regime

Nearly 600,000 of the 855,000 member agricultural labor force (1957) constituted a rural proletariat. Owning no land themselves, they worked for wages. Underemployment and unemployment were a serious Cuban problem, particularly for over 400,000 who were sure of work only at peak harvest time, usually four months of the year. Most rural labor was organized and when work was available the guajiro was well-paid by Latin American standards. Otherwise the rural laborer was largely ignored by Batista, as he was by most others on the island. The guajiro, for his part, felt little identification with Cuba as a nation, was apolitical, and asked and received little from the central government. His attitude was predominantly one of apathy and fatalism.

B. Attitude toward Castro regime

Castro early announced himself the champion of the guajiro, and has made many efforts of a "bread and circuses" kind to secure the allegiance of the guajiro. The guajiro, poorly educated if at all and with no positive experience of political democracy, presumably is undisturbed by Castro's conversion of Cuba into a totalitarian state. Originally promised land in fee simple, he may be upset by Castro's failure to make him an independent peasant. But his distress at this failure probably is compensated for by his realization that Castro has brought many benefits, if not directly to him, then at least to many of his kind: literacy programs, housing, health programs. Above all Castro has given the guajiro the sense of having a stake in the nation: formal and informal barriers that impeded guajiro mobility have largely been removed.

The pool of seasonally-employed sugarcane cutters has been reduced by about 150,000 as guajiros have found work in other sectors of the rural economy or drifted into the cities. The shortage of farm labor, a bothersome problem for Castro, may be explained on the grounds of low-level guajiro sabotage of the

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regime and as a reflection of disaffection from it. It may also be explained, however, on the grounds of a lackadaisical attitude toward work: Castro will provide for me whatever happens.

Organized labor

Most urban workers in Cuba at the white-collar and skilled labor level have long been organized and relatively pampered. They have also long lacked autonomy, vitality, and fortitude.

A. Attitude toward Batista

Organized labor knew itself to be beholden to Batista, who favored it at the price of its political subordination to him. Neither its communist nor noncommunist elements deserted Batista until very late in 1958. Its attitude toward Batista, while not one of affection, was one of cynical accommodation.

B. Attitude toward Castro

The little autonomy and independence enjoyed by organized labor under Batista has been altogether destroyed by Castro. The leadership of the labor movement is now completely in communist hands. The average union member in Cuba is in important ways less well off under Castro and could become an important source of anti-Castro resistance; he thus far has not taken vigorous action. Although a few resistance leaders have emerged from the Cuban labor movement, others who might have sparked resistance to Castro have taken the comparatively easy route into exile. Castro, for his part, has placated some urban elements by low-rent housing and other devices. A hardcore of at least 200,000 unemployed continues to live on the fringe of urban society just as it did in the time of Batista.

University students

The university population has been changed since Castro's assumption of power. Therefore, with respect to this category we do not have a consistent population over time.

A. Attitude toward Batista

The university population in pre-Castro Cuba was largely recruited from the urban middle class. The university, like others in Latin America, prepared its students for the standard careers in law, medicine, architecture, and engineering. Throughout Batista's tenure the university was a focus of opposition to him, opposition he countered by closing the university for extended periods. Cuban university students were always

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reform-minded, but not until Castro came on the scene did they favor radical courses of action.

B. Attitude toward Castro

Many of those middle and upper class elements who were in opposition to Batista and who were in the forefront of the movement to establish constitutional democracy and fundamental economic and social reforms in Cuba have now departed into exile. Others have remained at the university or found preferred employment in the bureaucratic machinery of Castro's state.

The present generation of university students is still composed largely of urban youths of middle class background, but the inflow of youths from the lower classes and rural Cuba is increasing as a result of scholarship programs. The university itself has become a massive communist indoctrination center whose rector has no real qualifications for the post except his thorough commitment to communism. University autonomy has been destroyed, and student admission is conditioned upon acceptance of Fidelista leadership and communist tenets. Academic standards are necessarily very low. The new lower class student's attitude toward Castro presumably is fanatically favorable, not only because Castro has made it possible for him to attend the university, but also because his university training will entitle him to a privileged position in the Castro machinery of planning and governance. Other students almost certainly are dissatisfied with the low level of personal and intellectual freedom in the new order.

Professional people

Cuba's doctors, dentists, professors, accountants, lawyers, and the like have generally been recruited from the country's comparatively large middle class. Many have long favored moderate reforms which would provide them with opportunities to exercise political leadership.

A. Attitude toward Batista

People in this category were denied effective political participation under the Batista regime, unless they were willing to adjust their standards of belief and behavior to the cynical and self-seeking norms of traditional Cuban politics over which the Cuban military held a preemptive veto. In the absence of opportunities to act responsibly and effectively in the political process, they frequently went into a doctrinaire opposition and constructed doctrinaire, paper solutions to Cuban problems. Others of them simply resigned themselves. From the ranks of the broad group of

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professionals, however, were drawn many of the most effective opponents of Fulgencio Batista and a number of Fidel Castro's quondam mentors.

B. Attitude toward Castro

A disproportionately large number of this group has gone into exile after early disaffection from Castro's totalitarian and communist pretensions. Some of those who have remained have established themselves quite firmly in the upper reaches of the Castro hierarchy. Still others remain in Cuba for personal reasons, and continue their professional work, but are stubbornly withdrawn from identification with the present regime. This group is a prime target of Fidel Castro and has suffered economically as well as politically under his dispensation. There has not yet been time, however, for Castro to break their ranks with thoroughly indoctrinated new professionals.

The Cuban military

The Batista military was discredited and its leadership destroyed by Castro. In this category we have no consistent population over time, even though some military elements were carried over from the Batista forces.

A. Attitude toward Batista

The military was perhaps the most important of Batista's instruments of power. It was altogether beholden to him, and was honeycombed with self-seekers, opportunists, and sadists. Its esprit and sense of mission was very low. It fell apart before the token onslaught that Castro was able to mount against it.

B. Attitude toward Castro

The present military establishment, comprising both regular and militia forces, is Castro's creature and a preferred one.\* It enjoys many perquisites that are unavailable to other elements of the Cuban population and it is receiving modern training and equipment from the Soviets. Moreover, it provides a readily accessible ladder of upward mobility to ambitious and capable Cubans who see advantage in espousing the proper political orientation. We are obliged to assume that its rank and file is particularly loyal to

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\* There are about 75,000 Cubans in the standing army; 100,000 in the ready reserve, militia; and 100,000 in the home guard militia.

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Castro, even though the depth of their commitment to communism can be questioned, especially when discipline and sacrifice are involved. Officer ranks are probably most staunchly committed to only because they fear the consequences of any major change.

Merchants, manufacturers, small commercial growers

A. Attitude toward Batista

This group, economically of great importance to Cuba, played a comparatively minor political role in the Batista regime. Its members had learned how to do business with Batista and his subordinates and prospered under the Batista dispensation. But they were not fervid supporters of the regime, and once it became evident that Castro's effort to unseat Batista might be successful, numbers of them began to hedge their support of Batista through covert support to Castro.

B. Attitude toward Castro

This group may well feel that it has been betrayed by Castro. There was little in Castro's originally announced program to portend the wholesale collectivization of the Cuban economy and elimination of the free enterprise system.

Many of the most powerful members of this group are now in exile. Others are still managing their enterprises but as employees of the state. The attitude of those remaining in Cuba presumably is one of lassitude and resignation coupled with nostalgic yearning for the "old days." Over 200,000 private farmers controlling some 55 percent of Cuban farmland make up a large and important group of entrepreneurs. Plagued by supply and labor problems and by Castro's rural bureaucracy, they fear the eventual expropriation that the regime has said it intends for them.

The bureaucracy

The leadership of the Cuban bureaucracy has of course been changed fundamentally over the course of the past five years. Also, the bureaucracy is substantially larger and a good deal more powerful than it was at earlier periods in Cuba's independent history.

A. Attitude toward Batista

With noteworthy exceptions, the bureaucracy under Batista was characterized by inefficiency, venality, nepotism. Its members understood the "Batista system," for it was not basically different

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from those of earlier Cuban regimes; and they accepted the 'system'. They did not, however, feel great personal loyalty to Batista himself or to the regime he headed.

B. Attitude toward Castro

The entire bureaucracy has not changed if only because there is a shortage of educated, trained personnel. However, the new leadership of the bureaucracy has an immense stake in the Castro experiment. Its prospects for a livelihood ride with the fortunes of the regime. Moreover, within the new agencies created by Castro there is an emotional attachment to Fidel Castro and an ideological attachment to the Cuban revolutionary program.

Youth as a category

A. Attitude toward Batista

Young people in Batista's Cuba were for the most part disaffected from the regime and were most active in opposing it.

B. Attitude toward Castro

Castro's regime has placed a premium upon youth. It provides a channel of rapid upward mobility to able young people and its ideological appeal with overtones of revolution, sacrifice, discipline, and mission, continues to exert a great influence.

Attachments:

- I. "Chart of Cuban Progress toward Certain Goals During the Past 10 Years"
- II. "Background Study for Cuban Balance Sheet"

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CHART OF CUBAN PROGRESS TOWARD CERTAIN GOALS  
DURING THE PAST 10 YEARS (cont'd)

	<u>Batista period</u>	<u>Castro</u>	
		<u>Promise</u>	<u>Performance</u>
Administrative honesty	None	Much	Much
Decentralization of authority (provinces, unions, universities)	Little	Much	Retrograde
Civil liberties			
Press	None	Much	Retrograde
Religion	(Not at issue)	(Not at issue)	Retrograde
Political opposition	Retrograde	Much	Retrograde
Racial equality	Some	Much	Much
Low military spending	None	Much	Retrograde
Independence from sugar	None	Much	None/Retrograde
Diversification			
Rural	Some	Much	None
Industrialization	Some	Some	Retrograde
Economic independence	Little	Much	Retrograde
New investment	Some	Much	Retrograde
Independence from a foreign power	Some	Some	Retrograde

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ATTACHMENT I

FOR KDC/EXT. DATE

TO AGEE. REASON(S)

INDICATE ENDORSEMENT MARKINGS

CHART OF CUBAN PROGRESS TOWARD CERTAIN GOALS

DURING THE PAST 10 YEARS\*

CLASSIFICATION

CLASS OF FOR EXEMPTIONS

b1 A-4

	Batista period	Castro	
		Promise	Performance
Agrarian reform			
Land distribution	None	Some	Little
Development	Some	Much	None
Education			
Urban	Some	Much	Little
Rural	Little	Much	Some
New housing			
Urban	Much	Some	Some
Rural	None	Much	Some
Low rents	Little	Much	Much
Health services			
Urban	Some	Much	Some
Rural	Little	Much	Some
Labor benefits			
Urban			
Unionized	Much	Some	Retrograde
Non-union	Little	Much	Some
Rural	None	Much	Some

We note that the whole evaluation may well be somewhat distorted in that Cubans in various groups view their status and progress in different ways. Therefore, one Cuban group or another within Cuba or in exile would take issue with our view of their progress or the lack thereof. Indeed, those Cubans on the island may well disagree with us in Castro's favor and not to his detriment.

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ATTACHMENT II

BACKGROUND STUDY FOR CUBAN BALANCE SHEET

ABSTRACT

Cuba has a long history of political repression and unrest. In the postwar period middle class leaders played increasingly important roles in the political system, but they were unable to develop strong and progressive parties. The country suffered from extreme dependence on the sugar crop and from chronic lack of steady, productive employment for hundreds of thousands of manual workers. Popular welfare measures were largely limited to urban areas, and the rural population, although participating marginally in the money economy, was neglected.

The Batista dictatorship (1952-58) inhibited Cuba's political development, undermined moderate and democratic forces in the country, and helped set the stage for a radical succession. At the same time the regime managed to maintain income from sugar, thus sustaining Cuba's relatively high consumption levels, and made some progress toward economic diversification. It did not, however, provide a solution for the problems of widespread unemployment among the lower quarter of the labor force, nor did it work to correct longstanding neglect of rural areas. Batista provided social benefits primarily for the urban trade unions and for the organized sugar workers. Middle class opposition to him grew, both because of the graft and corruption blatantly associated with his regime and because of his failure to expend government outlays on social services. Finally, Batista used brutally repressive measures against civilian opposition, measures that ultimately contributed greatly to his downfall.

Castro's announced program was addressed squarely to the grievances of the middle class opposition and the neglected rural citizens. It promised political liberties, honest government, economic development, employment, agrarian reform, education, and measures associated with the popular welfare--all to be achieved by evolutionary reform. It was much like the programs of the Peruvian APRA and Betancourt's AD in Venezuela.

Castro's initial arbitrary and radical actions after he took power in January 1959 frightened those who preferred gradual change and drove many of them into the

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opposition. Castro moved quickly and drastically, however, to consolidate his control and to stifle this opposition. Underprivileged groups who received considerable attention from the regime responded with enthusiastic support, although their personal and institutional liberties were eliminated. Ignoring the economic consequences of his actions, Castro eroded Cuba's economic base and a steady economic deterioration accompanied the changes his regime wrought. Cuba also became the dependent ally of the Soviet Union, a dependence that has increased in proportion to economic decline.

### I. BASIC FACTORS IN THE CUBAN SITUATION

#### Political Instability

There is little in Cuba's tradition that favors orderly and democratic political development. Widespread disrespect for law and order and highly irresponsible, personalistic leadership are major elements in the political tradition. Cuban politics have been marked by instability, by factionalism, and by the dominance of willful individuals and cliques.

Basic problems affecting political development before Castro took power were:

- 1) Military domination - The Cuban armed forces normally were the decisive factor in national political life, settling questions of succession and to a great extent determining the stability of governments.
- 2) Civilian disunity - Social and economic change brought new civilian forces into politics from the growing middle class. The widening of active political participation was accompanied by bitter struggles over issues and the perquisites of power.
- 3) Political repression and unrest - The uneasy relations between military and civilian forces set the stage for repressive government and also for repeated insurrectionary movements against tyranny.

#### Dependence on Sugar

Sugar production has normally accounted for 25%-30% of Cuban national income and provided 75%-80% of the total value of exports.

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With Cuba far from self-sufficient, even in foodstuffs and fuel, the foreign exchange earned from sugar has been vital. Because many of the determinants of sugar income are beyond Cuba's control--world prices, wars, changes in world production patterns--the country has lived in a state of economic uncertainty.

Need for Diversification

The sugar industry alone could not provide the increase in gross national product needed to increase or even to maintain per capita income. The rate of increase in world demand for sugar has been insufficient to absorb greatly increased production. Consequently, during much of the postwar period, Cuba was obliged to limit production and withhold stocks from the market to prevent a depression of world prices. At the same time, occasional windfall profits from sugar production and sales (in 1920, after World War II, in 1952, and in 1957) weakened Cuban resolve to reallocate resources away from sugar and to strive for a more diversified national economy.

Neglect of Rural Areas and Popular Welfare

Most of the income derived from sugar and other export production was spent in urban rather than rural areas in the pre-Castro period. The bulk of private capital, both local and foreign, went into service enterprises, chiefly in support of the export sector of the economy. Most of the rest went into manufacturing for the urban market. A good share of local private funds was invested in high-profit construction and speculative ventures, or was banked abroad.

With 75% of investment funds controlled by private interests, investment in social welfare was inadequate to meet the growing needs of the people. In 1959, Cuba had fewer doctors, hospital beds, public clinics and public schools in relation to its population than any other Latin American country with a similar per capita income. Moreover, Cuba's entire population--unlike that in most other countries of Latin America--has been in the money economy for many years and has been exposed to the contrasts between the benefits available to different groups and classes.

Unemployment

Unemployment and underemployment have been deep-seated problems in a national economy dependent on crop production and vulnerable to marked seasonal fluctuations. The entire economy oscillates between the wet growing season (May through November) and the dry harvest season (December through April). All the major crops, including the prime export commodities, sugar and

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tobacco, are harvested at the same time. This creates a high seasonal demand for labor; the sugar harvest alone normally employs perhaps as many as half a million workers. The increase in purchasing power during the harvest steps up demand for industrial goods, power and other services, while transportation and port activities go into high gear in order to move the crops to market. The four to six months of frenzied economic activity at harvest time are followed by the "dead season". At this time unemployment usually rises substantially and both consumption and production go down. In addition to this seasonal fluctuation in employment Cuba has had a hard-core of unemployed consisting for the most part of unskilled farm workers who have come to live in the cities.

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## II. THE BATISTA REGIME

The Batista regime inhibited Cuba's political development. It undermined moderate and democratic forces in the country and thereby set the stage for a radical succession. The regime succeeded in maintaining income from sugar and took some steps toward industrialization of the economy. During the dictator's tenure, the country continued to enjoy high levels of consumption. The regime did not, however, provide any solutions to the problem of widespread and chronic seasonal unemployment, nor did it correct long standing neglect of rural areas.

### Batista's Record

Political developments--The regime of Batista was essentially a military dictatorship from the time he seized power in 1952. It was strengthened by a moderate degree of economic prosperity, the support of the Confederation of Cuban Workers, and the lack of public confidence in opposition leadership. The dictatorship paid little attention to the demands of the civilian middle class for political participation. The middle class, especially vocal student groups, had become disillusioned with the democratic process during the Grau and Prío administrations (1944-52). Its opposition was even greater to Batista's military monopoly of power and his rigged elections.

Batista's economic program favored development in the private sector. It provided for little in the way of health, welfare, and other fields of middle class concern. Large amounts of money were diverted to graft, though perhaps no more than under preceding regimes. In general, compared with Batista's earlier period of rule (1933-44), the efficiency of administration, government respect for civil rights and press freedom, and social progress during the 1952-58 period were at a low level.

The civilian leadership, unable to take power by constitutional means, began providing covert support to insurrectionary movements. The students in the cities and the members of Castro's 26th of July Movement in the eastern region were the activists in a gradually growing current of protest. Batista was unwilling to provide for a succession through elections that could gain widespread public approval. His military forces were not able to wipe out insurrectionary 26th of July forces in the countryside. In the face of his deteriorating position, Batista took new brutally repressive measures against his opposition, thereby intensifying unrest among the civilian population and contributing to his own downfall.

Management of sugar--The Batista regime did not lessen the country's dependence on sugar exports to any marked degree, but it managed the crop and its marketing better than previous governments had done. Beginning in 1952, ceilings were imposed on sugar production and a system of reserve stocks was established to stabilize the sugar supply situation and world prices. Exporter quotas set up under

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reinforced Cuban efforts to limit sugar production. US sugar legislation meanwhile continued to give Cuban sugar a preferred position in the US market, in effect placing a floor beneath Cuba's exchange earning position.

Efforts at diversification--With recognition in the 1950's that unlimited sugar production was no longer in the best interests of Cuba, more attention was directed toward development of manufacturing and diversification of the economy. A considerable amount of foreign private investment moved into Cuba to produce for the local market such products as textiles, paints, processed foods, tires, glass, and metal containers. Commercial rice production using modern technology began to fill a larger part of Cuba's sizable requirements for the staple. Experiments in the development of cotton and other fiber crops got underway. Public services--power and transport--expanded and petroleum refining was developed. Local investors contributed to the industrial and diversification effort. They also stepped up Cubanization of the sugar industry, buying sugar mills from foreign interests. Local and foreign investment in new tourist facilities helped to bring in new revenues from tourism, providing a net annual foreign exchange earning of around \$20 million between 1956-58.

Economic diversification brought with it an increase in investment rates during the Batista era. Gross investment reached almost 18% of GNP in 1957 compared to an estimated 12% in 1952. The government component of total gross investment remained small, not more than 25%, but it served to expand the economic infrastructure. About \$400 million was spent on public works between 1953 and 1958, most of it for highways, bridges and urban construction. Such projects helped to open up the country and improve urban surroundings and they gave at least temporary employment and income to workers.

However, expenditures on projects to improve general levels of well-being, such as schools, hospitals, sewers, drainage and water supply, accounted for less than 15% of public works expenditures during the period. Moreover, the contribution of investment to general development was reduced by government graft. In addition, part of the private capital investment went into luxury construction, real estate, and speculation, rather than into productive activities.

Rural neglect and social welfare--The Batista regime provided no basic correctives for Cuba's long neglect of rural areas, and social welfare improvements were reserved almost entirely for urban professionals and specialized workers. The state did nothing to change the pattern of income distribution which clearly favored the urban population. Batista was aware that any serious effort to redistribute income would have penalized the important urban elements in both labor and capital to which he looked for support.

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Total GNP tended to fluctuate rapidly and widely from year to year in concert with changes in sugar income. It declined by 12% in 1953 compared to 1952 and increased by 14% in 1957 compared to 1956. The overall rate of increase for the period was less than 2% and on a per capita basis income stagnated at around \$350 per annum from 1952 to 1958. The high level of consumption in Cuba--one of the highest in Latin America--was enjoyed almost exclusively by privileged urban groups.

Moreover, health, public service and educational facilities in rural areas were few. Batista built a number of schools and during his regime Cuba spent more than any other Latin American country, except Colombia, for education in relation to its national income. There were, however, less than 5,000 rural schools; urban areas benefited from over 12,000. Literacy was only 38% in rural sections; 88% in towns and cities. Many of the schools, particularly in rural areas, never functioned because teachers would not serve in outlying sections of the country.

#### Unemployment and Labor Policies

Batista's policies tended to favor politically important labor groups. However, during his administration there was little increase in the degree of unionization and no real effort to solve the problem of surplus labor. The organized segment of labor, anxious to protect itself against the constant threat of unemployment blocked efforts to improve worker productivity. Labor opposition to change in turn discouraged large-scale investment. Political payoffs to labor leaders during the Batista period only reinforced skepticism regarding the trustworthiness of government and management.

In general Batista's wage policies permitted reductions in wages only in extreme emergencies and wage increases were granted primarily on political grounds, i.e., to avoid troublesome strikes or to put pressure on particular groups or firms. Sometimes, as in the case of sugar farmers and some big textile interests, a government subsidy was granted to cover additional costs arising out of a wage increase. Wage raises were not across-the-board, however, and minimum wages were frozen at 1944 levels until April 1958.

Little new basic legislation was enacted during the second Batista regime but some minor changes and improvements were made, chiefly for the benefit of the stronger, urban unions. At least a dozen new mutual benefit associations were formed to provide old age, sickness and death

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benefits to their members. In effect, the associations relieved the government of part of its social security responsibilities and broadened the gap between privileged labor on the one hand and the mass of workers on the other. Batista encouraged the growth of these social security institutes, largely because they could be forced to absorb government bond issues.

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### III. THE CASTRO REGIME

#### Castro's Revolutionary Promises

The original revolutionary aims expressed by Fidel Castro went somewhat beyond the goals of the Alliance for Progress but were not sharply distinguishable from those of the APRA party in Peru or the AD in Venezuela. They included democratic constitutional government, land reform, nationalization of two public utilities, profit sharing, housing, education and health reforms. There was no indication of a desire for a basic change in the political system or a recasting of the social order. Between 1953 and 1958 Castro's pronouncements frequently referred to constitutional government, free elections and civil liberties.

In 1953 Castro might have believed in the ideals of Marti, but over the years he became a demagogue and an ambitious opportunist. By late 1959 he was moving to adopt a Communist mechanism to serve both his and the Communists' aims. He then proceeded to a genuinely Communist revolutionary transformation of Cuban society.

The First Rebellion -- The young middle-class idealists who stormed the Moncada barracks under Castro's leadership in 1953 were participating in a traditional insurrectionary effort. They possessed no original political or economic ideas, their proposal being only to restore liberty, to implement the existing 1940 Constitution and to overthrow Batista. Theirs was a revolt against political corruption and dictatorship. This was the substance of the Moncada Proclamation of Purpose of "The Cuban Revolution", July 26, 1953.

Castro's revolutionary thought 1953 -- Castro, when brought to trial, used his defense plea to condemn a regime of force. He upheld all the Western concepts of law, civil liberties and the traditional right to rebel against tyranny. Among those whom he quoted in his defense were: John of Salisbury, Thomas Aquinas, Martin Luther, John Calvin, John Knox, John Milton and John Locke.

During the trial Castro outlined his program:

1. To restore sovereignty to the people and proclaim the 1940 Constitution the supreme law.
2. To grant property to small planters, squatters and peasants, indemnifying the former owners.
3. To initiate profit sharing for workers of large enterprises.

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4. To increase the sugar cane profits of planters.
5. To confiscate illegally acquired property.
6. To make of "Cuba...the bulwark of liberty..." To restore "...public liberties and political democracy."
7. To undertake reforms in education, housing, health and unemployment. To halve rents and to clear slums. To take action against tax evasion.
8. To limit the size of the large landholdings. To encourage "agricultural cooperatives for the common use of costly equipment, cold storage, and a uniform professional direction in cultivation and breeding." (This quotation is taken from the Theodore Draper text and is omitted from recent Cuban texts.)
9. To nationalize only the "Utilities Trust" and "Telephone Trust".

Castro's political manifesto of July 12, 1957 -- Castro's political manifesto of July 1957, which was drafted with the advice of Raul Chibas and Felipe Pazos referred to "the desire to put an end to the regime of force, the violations of individual rights, the infamous crimes, and to seek the peace that we desire by the only road possible, which is the democratic and constitutional transition of the country ...We want elections; but with one condition: truly free, democratic, impartial elections."

Castro declared "under formal promise that the provisional government will hold general elections for all offices of the state, the provinces and the municipalities at the end of one year under the norms of the Constitution of 1940 and the Electoral Code of 1943 and will deliver the power immediately to the candidate elected. He also promised the following:

"Absolute guarantees of freedom of information, of the spoken and written press and of all the individual and political rights guaranteed by the Constitution."

"Democratization of labor policy, promoting free elections in all unions and federations of industries."

"Immediate start of an intensive campaign against illiteracy and for civic education..."

"Establishment of the foundations for an agrarian reform that tend to the distribution of barren lands and to convert into

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proprietors all the lessee-planters, partners and squatters who possess small parcels of land, be it property of the state or of private persons, with prior indemnification to the former owners."

"Acceleration of the process of industrialization and the creation of new jobs."

Castro's public letter of December 14, 1957 -- In this communication Castro denounced the Miami-based Council of Liberation for expressing a willingness to accept a provisional military junta when Batista was deposed. Instead, Castro proposed that Dr. Manuel Urrutia Lleo, as a proven defender of the Constitution, head a provisional government. The letter concluded:

"It is possible that some may consider this pronouncement arrogant; but the fact is that only the 26th of July Movement has declared that it does not desire to participate in the provisional government and that it places its entire moral and material support at the disposal of the citizen most suitable to preside over the necessary provisional government."

"Let it be understood that we have renounced the taking of any office in the government; but let it also be known that the 26th of July Movement will never fail to guide and direct the people from the underground, from the Sierra Maestra or from the very graves of our dead. And we will not fail in that duty because it is not we, but an entire generation that is morally bound before the people of Cuba to provide substantial solutions to its grave problems."

Castro's economic program -- A fairly comprehensive statement of economic policy was prepared by Felipe Pazos and Regino Boti in 1956, approved by the Revolutionary Directive Group, and released in Cuba in 1959 as "the true economic program of Castro." The following are quotations from the statement.

Political support for economic development--"An effective plan of economic development will be carried out only if those who execute it obtain the political support of the majority of citizens."

Bigger pie and democratic planning--"Nevertheless, even in the extreme case where a government seizes all profits and divides them among the workers, this would not substantially raise the standard of living of the people nor the economic power of the country. That would be to redistribute in a childish manner the national income of Cuba, which of itself is small, as though you were giving out pieces of a pie. More important than

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all this is to try to obtain a bigger pie for the nation. Then each would have more."

"That the state assumes the responsibility for the study and execution of a plan for economic development does not mean that it exercises dictatorial powers. Planning is compatible with individual liberties, and it is only through such planning that it is possible to make a world in which industrial liberty and economic security exists."

"To the future enterprises to be created as well to those already existing, the democratic government will give preferential treatment to Cuban businessmen in order that they may be proprietors. These ends can be attained by the intelligent application of state machinery. The state can 'nationalize' businesses, as for example those of public service, and turn them over to Cuban businessmen or it can 'socialize' them, i.e., reserve them for itself and operate them."

"The Democratic Government of the Movement of July 26th should begin immediately to prepare a program for economic development which would have as its immediate working time the period of TEN YEARS."

Diversification, trade and economic growth--"If Cuba develops her national industries, this will produce a decrease in North American imports. But, in reality, this will effect exclusively a change in the composition of the exports of the United States to Cuba since the latter, with the dollars saved, can then import more capital goods and more consumer goods like machinery and equipment, radios, refrigerators, television sets, automobiles."

"The creation of new industry has natural difficulties which must be overcome. The businessmen and technicians should adopt the new industrial activities, different in many cases from their habitual labors. In order for Cuba to construct what is called an OPEN ECONOMY, in which all the foreign producers can sell their articles freely, the Cuban businessman is obliged to produce as efficiently as the foreign industrialist of the highest productivity."

"The economic growth of Cuba is limited by international treaties and agreements which, in many cases, Cuba has accepted through necessity. The revision of these treaties will be the difficult task which shall weigh on the shoulders of the diplomats of the democratic government of the revolution."

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"The following can be expected, at the end of the ten year period, as the results of the project of economic development planned and executed by the democratic government of July 26th:

- a. Doubling of the national income - from \$1,735,000,000.00 to \$3,540,000,000.00 - at a rate of growth of 7.5% for Cuban economy.
- b. Elimination of unemployment and under-employment.
- c. Work for 40,000 or more young people every year.
- d. Raising of average income per person from \$300.00 annually to \$500.00 in 1968."

Unemployment--"To eliminate the present unemployment and under-employment and to create yearly the new positions necessary in order to give jobs to the thousands of young people who every year reach the age when they can work and are disposed to do so."

Honesty in government--"Cuba can have an efficient and honest government which by its action will stimulate, protect, finance, combat or supply private business and make all of us more prosperous."

Social justice--"To procure a redistribution of national income in accordance with the principles of Social Justice."

Capital accumulation and foreign investment--"The figure \$200,000,000.00 is highly encouraging because economists have stated categorically that the Cuban economy generates annually a savings of more than \$200,000,000.00, granted the present distribution of national income".

"...foreign capital can be sought with the following order of preference:

- a. Loans to the government from international organizations.
- b. Loans from government to government.
- c. Foreign private capital in a direct loan to the government in order that the latter may invest it or facilitate it to enterprises.
- d. Foreign private capital participating as a minority interest in national enterprises.

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- e. Foreign private capital with control of the national enterprise."

Agrarian reform--"...the Movement has made a profound study and has an ample plan for Agrarian Reform..."

"In the agricultural field, as an elementary step towards Agrarian Reform, the farmers and their families benefited by the Plan for the Distribution of Land should be established on the land, given titles of ownership, and technical and financial aid..."

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The Castro Record

Castro's arbitrary and radical actions after he took power in January 1959 frightened those who preferred gradual change and drove them into the opposition. Castro moved quickly and drastically, however, to consolidate his control and to stifle his opposition. Underprivileged groups responded to social improvement with enthusiastic political support, although personal and institutional liberties were eliminated. Because Castro ignored the economic consequences of his actions, economic deterioration accompanied the changes his regime wrought.

Political development-- One part of the middle class group, particularly the younger element, that fought against Batista's military domination of Cuba has found its solution for Cuba's political problem in the development of a new form of communist-oriented military rule. Others are the victims of their former partners' solution and live demoralized or in exile. What Castro once called "revolution with bread and liberty" has become openly declared dictatorship. There is one party, one press, one radio, one interpretation of history. Grumbling and exile are the only outlets permitted to dissenters. Personal and institutional freedom are gone. Estimates of the number of political prisoners vary from 20,000 to 50,000. These have been arrested and tried by summary military tribunals without the benefit of habeas corpus. The rest of the population is under surveillance by neighborhood spy committees. Freedom of assembly is denied. University autonomy has been abolished, the judiciary purged of its independence, labor unions denied their bargaining authority, local government atrophied, Catholic schools taken over, and fundamentalist sects harassed.

Those manning the political machine are trying to persuade apathetic workers and present landowners to produce more in order to buoy up the sagging economy and declining levels of living. Castro has reinforced his hold on Cuba by taking the country into alliance with the USSR, adopting a communist totalitarian system of government, and building the largest armed forces in Latin America. Although he probably sees the necessity of using harsh disciplinary methods on a large scale to force Cuban workers and farmers to deliver, he may not dare to do so. Low worker productivity is a major flaw in the system as it has developed, and possibly a fatal one. It indicates that the implications of the new system are not understood by the mass of workers. Moreover, within organized labor, the average worker is in many ways less well off under Castro and could become an important source of anti-Cuban resistance.

Honesty in government--A high degree of fiscal honesty was a major goal of the idealistic and reforming middle class group that opposed Batista and withdrew its support from Grau and Prío in large part because

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of the blatant corruption of their regimes. Castro and his lieutenants live austere, little revenue being siphoned off for personal gain. This political morality, however, has acquired a new twist now the private sector has been largely taken over by the state. Theft, formerly a venial crime, is punishable by death according to a decree of March 1963.

Betrayal of National sovereignty--Castro's close ties with the Soviet bloc were established in the name of "national independence." Actually Castro sought Soviet support to make good his revolutionary plans and to maintain control of Cuba. Castro's dependence on Soviet support--political, economic and military--is perhaps equalled by the Soviet prestige commitment to Castro, but Cuba is the dependent ally. The relative freedom of action that Cuba had developed as a member of the Organization of American States in its partnership with the United States has been drastically reduced. Cuba's economic dependence on the bloc, far greater than its dependence on the United States before Castro, is growing as the economy deteriorates. Cuban withdrawal from international loan credit institutions (IMF and IBRD) and its lack of commercial credit standing under Castro isolate the country from non-US, Western economic ties, except on a spot cash or barter basis. Moreover, Cuba's political and social system and its ethical tradition have been revolutionized on the Soviet model.

Economic development--Castro's radical supporters assumed that economic improvement would follow more or less automatically from the elimination of domestic and foreign profits. They underestimated the importance of capital and savings, technical skills and economic motivation for development. Castro now has difficulty producing sugar; this is one of the basic reasons for declining GNP. Che Guevara has publicly admitted that the industry's productivity is now lower than that in most sugar-producing countries of the world. The cane is poorly cared for and labor shortages seem almost insoluble. Unskilled workers have damaged cane plantings, and there has been little replanting since 1957. The final crop volume this year was about 3.8 million tons, some 20% below the very poor outturn of 4.8 million tons in 1962; it is more than two-fifths below the 1961 production of 6.8 million tons.

Non-sugar crops, both for local use and for export, are poorly cultivated and harvested. Cuba must import coffee this year whereas it normally has had a small export surplus. There are labor shortages throughout the agricultural sector. Industrial production is hampered by poor management and the widespread breakdown of Western-made equipment. Where machinery has broken down, the Cubans have moved technologically backward to simpler means of production resulting in lower productivity.

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Cuba has secured almost \$470 million in promises of bloc development and technical assistance credits, but has apparently used only \$50-\$75 million so far. Among the factors limiting Cuba's capacity to absorb Soviet bloc development aid are its lack of good managers, its shortages of trained and disciplined workers, and the differences between bloc and Cuban industrial techniques. The few installations constructed with bloc aid have been for the most part relatively simple workshops for the manufacture of such goods as files, nails, and welding electrodes. Considerable attention is devoted to planning of large-scale development of the chemical and metallurgical industries, but as yet there have not been major additions to the country's industrial base.

Castro originally stated that a concerted effort would be made to reduce Cuba's dependence on sugar through a program of agricultural diversification and industrialization. Now, particularly since Castro's return from the USSR, it appears that Cuba has been assigned a role in the Soviet-bloc "division of labor" as a supplier of raw materials, specifically of sugar, and that sugar is, if anything, a more basic element in Cuba's economy than it was before Castro. Little is heard in Cuba now of the grandiose industrial projects that were to be built with Soviet assistance.

Popular welfare--Health, housing, education, and recreation programs have been emphasized by the regime, especially in regions outside of the capital. Dispensaries have been established in rural areas, and young doctors are required to serve a tour of duty there. Modest housing developments have been started in cities and in a number of locations in the countryside. In Havana the rate of housing construction is probably much lower than the pre-Castro period but the short-fall is masked by the availability of houses vacated by exiles. The education effort has been marked by the construction of school buildings, the provision of scholarships to the poor, the proliferation of adult education courses, and, in 1961, the mounting of an unprecedented campaign to eliminate illiteracy in the hinterland.

All these social services, however, fall short of Castro's promise. The medical program lacks qualified personnel; housing construction has fallen off in favor of the military buildup; the projects have only scratched the surface of the total problem. Education has been perverted into indoctrination, and many of the new literates may be able to do no more than write their own names. Nevertheless, among many, especially rural Cubans, the expectation of better health, housing and education is almost certainly still strong.

Although distribution of income and social services may be more equitable than in pre-Castro Cuba, the size of the economic pie avail-

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able for distribution is shrinking. In 1962 total Cuban gross national product (GNP) was estimated at 25% below 1958 levels (measured in 1958 prices); real per capita GNP fell by at least 30% in Castro's first four years. Real output is expected to drop further during 1963 as a result of the poor sugar crop, numerous production failures, and economic bottlenecks.

Soviet bloc balance of payments assistance, running up to \$250 million (\$200 million extended in 1962) is helping to ease the Cuban supply situation. Despite this help, in 1962 Cuba had an estimated 20% less goods available than in 1958; and the shortage of goods has caused considerable inflationary pressures. Since 1958 official prices for food have risen approximately 40 percent; clothing 100 percent; durable consumer goods 70 percent; and miscellaneous items such as gasoline, kerosene, tobacco and soap, 15 percent. Black market prices are substantially higher. The government has introduced a series of rationing and price control measures during the past two years to equalize distribution of available supplies and to control the inflationary trend. In early April, of this year, maximum prices for nearly all products were established.

Social mobility and participation--Youths, Negroes and women find greater opportunities for advancement to important positions under the Castro regime than they did under earlier regimes. Castro's mass organizations, his greatly expanded armed forces, and the burgeoning civilian bureaucracy have meant rapid and easy ascent for many. Demoralization and flight of the established upper and middle class have opened new opportunities for upward mobility. The regime pays considerable attention to "ordinary" Cubans, bringing them together for its political rituals, explaining policies and programs to them, enrolling them in courses of self-improvement and job advancement, and inviting them to enjoy the abandoned playgrounds of the moneyed classes.

Much of the problem of surplus labor in farm areas disappeared. Numbers of the seasonally-unemployed have drifted into the cities or found non-agricultural employment. Others have found year-round work on state farms in the non-sugar sectors of agriculture. A major social effect of the agrarian reform program has been its impact on employment patterns. Few people have received land, not more than 35,000 farmers having been given titles to land under Castro's agrarian reform. Those who did receive titles were tenants already working plots. Land in state farms, amounting to over 40 percent of all Cuban farmland, employs perhaps 250,000 families, including many former seasonal workers. Although

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most of these workers were already employed on the land that was expropriated, they now have more security. Even though seasonal unemployment has been reduced under Castro, government leaders' have admitted that hard-core unemployment is still a problem involving thousands of persons.

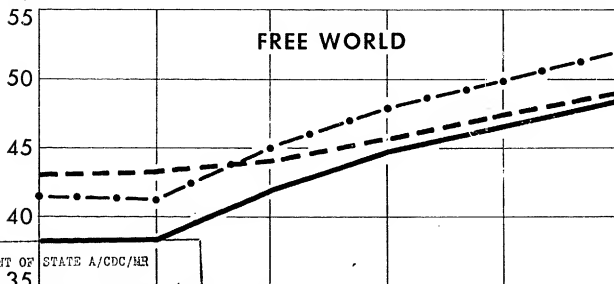
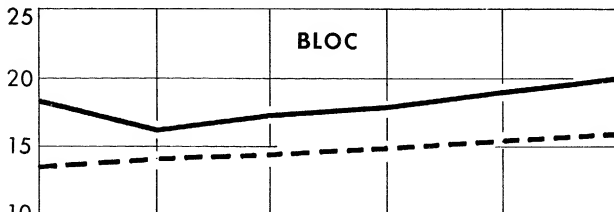
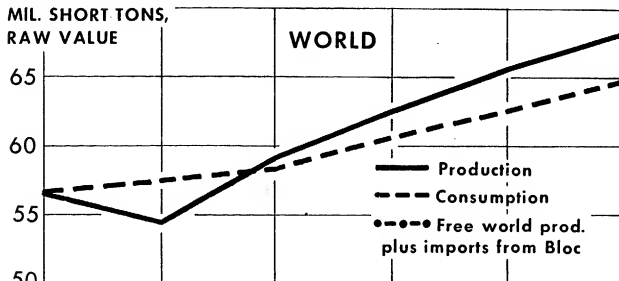
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NR 84-33 (7/30/63) 596

# WORLD SUGAR PRODUCTION AND CONSUMPTION

MIL. SHORT TONS,  
RAW VALUE



DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY *W. H. M.* DATE *4-6-67*

RDS for KDS EXT. DATE

TO AUTH. REASON(S)

BY COUNCIL EXISTING MARKING

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World Sugar Production and Consumption  
(1,000 short tons, raw value)

	1962-63			1963-64			1964-65			1965-66			1966-67		
	Prod.	Cons.	Diff.	Prod.	Cons.	Diff.	Prod.	Cons.	Diff.	Prod.	Cons.	Diff.	Prod.	Cons.	Diff.
<u>Bloc</u>															
USSR .....	6,900	8,800	-1,900	7,200	9,000	-1,800	7,400	9,100	-1,700	7,900	9,200	-1,300	8,400	9,300	-900
East Europe .....	4,596	3,200	+1,396	4,700	3,300	+1,400	4,800	3,500	+1,300	5,200	3,600	+1,600	5,300	3,900	+1,400
Mainland China .....	562	1,700	-1,138	700	1,750	-1,050	800	1,800	-1,000	900	1,900	-1,000	1,000	2,100	-1,100
Cuba .....	<u>4,100</u>	<u>390</u>	<u>+3,710</u>	<u>4,600</u>	<u>395</u>	<u>+4,205</u>	<u>4,800</u>	<u>500</u>	<u>+4,300</u>	<u>5,000</u>	<u>600</u>	<u>+4,400</u>	<u>5,200</u>	<u>620</u>	<u>+4,580</u>
Total Bloc .....	16,158	14,090	+2,068	17,200	14,445	+2,755	17,800	14,900	+2,900	19,000	15,300	+3,700	19,900	15,920	+3,980
<u>Free World</u>															
United States .....	5,523	9,800	-4,277	6,165	9,900	-3,735	6,390	10,100	-3,710	6,500	10,300	-3,800	6,650	10,500	-3,850
North America .....	10,168	12,428	-2,260	11,400	12,659	-1,259	12,290	13,037	-747	12,600	13,432	-832	13,000	13,855	-855
South America .....	6,789	5,125	+1,664	7,425	5,275	+2,150	8,200	5,460	+2,740	8,500	5,875	+2,625	8,600	6,100	+2,500
West Europe .....	7,978	12,550	-4,572	9,100	12,650	-3,550	9,750	12,850	-3,100	10,150	13,150	-3,000	10,500	13,450	-2,950
Africa .....	3,302	2,755	+547	3,500	2,756	+744	3,700	2,957	+743	3,900	3,123	+777	4,200	3,334	+866
Asia & Oceania .....	<u>10,115</u>	<u>10,510</u>	<u>-395</u>	<u>10,500</u>	<u>10,670</u>	<u>-170</u>	<u>10,800</u>	<u>11,250</u>	<u>-450</u>	<u>11,350</u>	<u>11,770</u>	<u>-420</u>	<u>11,950</u>	<u>12,125</u>	<u>-175</u>
Total Free World .....	<u>38,352</u>	<u>43,368</u>	<u>-5,016</u>	<u>41,925</u>	<u>44,010</u>	<u>-2,085</u>	<u>44,740</u>	<u>45,554</u>	<u>-814</u>	<u>46,500</u>	<u>47,350</u>	<u>-850</u>	<u>48,250</u>	<u>48,864</u>	<u>-614</u>
World Total .....	54,510	57,458	-2,948	59,125	58,455	+670	62,540	60,454	+2,086	65,500	62,650	+2,850	68,150	64,784	+3,366

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY WBB/DM DATE 4-16-64

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